

# Senate Study Bill 3243

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON BOLKCOM)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to property tax measures for commercial,  
2 industrial, and residential property by authorizing the  
3 imposition by a city of a local income surcharge and requiring  
4 that a portion of the revenues be used for property tax  
5 credits and by limiting the percentage of actual value at  
6 which residential property shall be assessed.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
8 TLSB 5641XC 82  
9 mg/sc/5

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1 1 Section 1. NEW SECTION. 422E.1 AUTHORIZATION == ELECTION  
1 2 == IMPOSITION AND REPEAL.  
1 3 1. A governing body of a city that is not part of a  
1 4 combined incorporated area, as defined in section 422E.6, may,  
1 5 on its own motion, offer for voter approval a local income  
1 6 surcharge.  
1 7 2. The local income surcharge shall only be imposed after  
1 8 an election at which a majority of those voting on the  
1 9 question of imposing the income surcharge vote in favor of the  
1 10 question. The question of imposing the income surcharge may  
1 11 be submitted at the regular city election, a special election,  
1 12 or the general election. Notice of the question shall be  
1 13 provided by publication at least sixty days before the time of  
1 14 the election and shall identify the income surcharge rate, the  
1 15 duration the income surcharge shall be in effect, and the  
1 16 percentage of the revenues to be used for property tax relief  
1 17 as specified in subsection 5. The information contained in  
1 18 the notice under this subsection shall also be included on the  
1 19 ballot. If a majority of those voting on the question  
1 20 approves the imposition of the income surcharge, the surcharge  
1 21 shall be imposed for tax years beginning on or after January 1  
1 22 following the favorable election.  
1 23 3. The local income surcharge shall be imposed for the  
1 24 period specified on the ballot, but not to exceed a maximum  
1 25 period of ten years.  
1 26 4. The local income surcharge shall be imposed at the rate  
1 27 specified on the ballot, but not to exceed a rate of five  
1 28 percent.  
1 29 5. Revenues from the local income surcharge shall provide  
1 30 property tax relief as follows:  
1 31 a. At least eighty percent of the revenues shall be used  
1 32 for property tax relief. At least sixty percent of the  
1 33 revenues shall be used for property tax relief for commercial  
1 34 and industrial property.  
1 35 b. The balance of the property tax relief money shall be  
2 1 used for property tax relief for residential property.  
2 2 6. Revenues received by the city from the income surcharge  
2 3 imposed under this chapter shall be deposited and used in the  
2 4 manner provided in section 422E.5.  
2 5 Sec. 2. NEW SECTION. 422E.2 LOCAL INCOME SURCHARGE.  
2 6 A city may impose, by ordinance, a local income surcharge  
2 7 approved by referendum as provided in section 422E.1 at the  
2 8 rate specified on the ballot on the state individual income  
2 9 tax of each individual residing in the city at the end of the  
2 10 individual's applicable tax year. For the applicable tax  
2 11 year, the taxpayer's income surcharge is equal to the  
2 12 taxpayer's state individual income tax for the applicable tax  
2 13 year multiplied by the surcharge rate specified on the ballot.  
2 14 For purposes of this section, "state individual income tax"

2 15 means the tax computed under section 422.5, less the amounts  
2 16 of nonrefundable credits allowed under chapter 422, division  
2 17 II.

2 18 Sec. 3. NEW SECTION. 422E.3 ADMINISTRATION.

2 19 1. A local income surcharge shall be imposed January 1  
2 20 following the favorable election for tax years beginning on or  
2 21 after January 1, and is repealed as provided in section  
2 22 422E.1, subsection 3, as of December 31 for tax years  
2 23 beginning after December 31.

2 24 2. a. The director of revenue shall administer the local  
2 25 income surcharge as nearly as possible in conjunction with the  
2 26 administration of state income tax laws. The director shall  
2 27 provide on the regular state tax forms for reporting local  
2 28 income surcharge.

2 29 b. An ordinance imposing a local income surcharge shall  
2 30 adopt by reference the applicable provisions of the  
2 31 appropriate sections of chapter 422, division II. All powers  
2 32 and requirements of the director in administering the state  
2 33 income tax law apply to the administration of a local income  
2 34 surcharge including but not limited to the provisions of  
2 35 sections 422.4, 422.20 to 422.31, 422.68, 422.70, and 422.72  
3 1 to 422.75. Local officials shall confer with the director of  
3 2 revenue for assistance in drafting the ordinance imposing a  
3 3 local income surcharge. A certified copy of the ordinance  
3 4 shall be filed with the director as soon as possible after  
3 5 passage.

3 6 3. The director, in consultation with local officials,  
3 7 shall collect and account for a local income surcharge and any  
3 8 interest and penalties. The director shall credit local  
3 9 income surcharge receipts and any interest and penalties  
3 10 collected from returns filed on or before November 1 of the  
3 11 calendar year following the tax year for which the local  
3 12 income surcharge is imposed to a local income surcharge fund  
3 13 established in the department of revenue. The amount of the  
3 14 local income surcharge interest and penalties due to a given  
3 15 city taxpayer is that proportion of the total interest and  
3 16 penalties of that taxpayer that equals the proportion that the  
3 17 taxpayer's local income surcharge is to the total tax  
3 18 liability of that taxpayer. All local income surcharge  
3 19 receipts and any interest and penalties received or refunded  
3 20 from returns filed after November 1 of the calendar year  
3 21 following the tax year for which the local income surcharge is  
3 22 imposed shall be deposited in or withdrawn from the general  
3 23 fund of the state and shall be considered part of the cost of  
3 24 administering the local income surcharge.

3 25 Sec. 4. NEW SECTION. 422E.4 PAYMENT TO CITY == USE OF  
3 26 RECEIPTS.

3 27 1. On or before December 15, the director of revenue shall  
3 28 make an accounting of the local income surcharge receipts and  
3 29 any interest and penalties collected from returns filed on or  
3 30 before November 1 and shall certify to the treasurer of state  
3 31 this amount collected. The treasurer of state shall remit  
3 32 within fifteen days of the certification by the director to  
3 33 each city which has imposed a local income surcharge the  
3 34 amount in the local income surcharge fund collected as a  
3 35 result of the city's income surcharge.

4 1 2. Local income surcharge moneys received by a city shall  
4 2 be deposited and used as provided in section 422E.5.

4 3 Sec. 5. NEW SECTION. 422E.5 USE OF REVENUES.

4 4 1. All revenues collected as a result of the local income  
4 5 surcharge authorized under this chapter shall be deposited and  
4 6 expended as follows:

4 7 a. A percentage of all revenues as specified on the ballot  
4 8 shall be deposited into the property tax relief fund of the  
4 9 city and shall be expended for property tax relief for  
4 10 commercial and industrial property as provided in subsection  
4 11 2, paragraph "a".

4 12 b. A percentage, if any, of all revenues as specified on  
4 13 the ballot shall be deposited into the property tax relief  
4 14 fund of the city and shall be expended for property tax relief  
4 15 for residential property, as provided in subsection 2,  
4 16 paragraph "b".

4 17 c. Remaining revenues, if any, shall be deposited into the  
4 18 general fund of the city and may be expended for any lawful  
4 19 purpose of the city.

4 20 2. Moneys in the property tax relief fund as of June 1 of  
4 21 each year shall provide property tax credits for taxes payable  
4 22 in the following fiscal year as follows:

4 23 a. The county treasurer shall determine the tax credit for  
4 24 taxable commercial and industrial property in the city as  
4 25 follows:

4 26 (1) Determine the amount in the property tax relief fund  
4 27 as of June 1 of each year that is to provide property tax  
4 28 credits for commercial and industrial property.  
4 29 (2) Divide the amount determined under subparagraph (1) by  
4 30 the total of the taxable value of all commercial and  
4 31 industrial property in the city.  
4 32 (3) Calculate the amount of tax credit for each taxable  
4 33 parcel of commercial and industrial property by multiplying  
4 34 the amount calculated under subparagraph (2) by the taxable  
4 35 value of that parcel.

5 1 b. The county treasurer shall determine the tax credit for  
5 2 taxable residential property in the city as follows:

5 3 (1) Determine the amount in the property tax relief fund  
5 4 as of June 1 of each year that is to provide property tax  
5 5 credits for residential property.

5 6 (2) Divide the amount determined under subparagraph (1) by  
5 7 the total of the taxable value of all residential property in  
5 8 the city.

5 9 (3) Calculate the amount of tax credit for each taxable  
5 10 parcel of residential property by multiplying the amount  
5 11 calculated under subparagraph (2) by the taxable value of that  
5 12 parcel.

5 13 Sec. 6. NEW SECTION. 422E.6 COMBINED INCORPORATED AREA  
5 14 == IMPOSITION OF SURCHARGE.

5 15 1. For purposes of this section, "combined incorporated  
5 16 area" means the combined areas of one city and all cities  
5 17 joined to it. Two cities are joined to each other if they are  
5 18 contiguous or if they are each joined to a common third city.  
5 19 Two cities are contiguous if any portions of their corporate  
5 20 boundaries coincide.

5 21 2. An election for approval of a local income surcharge  
5 22 for a combined incorporated area shall be held upon passage of  
5 23 a resolution requesting the election by the governing body of  
5 24 any city in a combined incorporated area. The resolution  
5 25 shall specify the period of time for which the surcharge shall  
5 26 be imposed, the rate of the surcharge, and the portions of the  
5 27 proceeds to be used for property tax relief and for commercial  
5 28 and industrial property tax relief. If resolutions are  
5 29 received from several cities in a combined incorporated area  
5 30 for the same election date, the specifications contained in  
5 31 the resolution first received shall control. A city that is  
5 32 contiguous to another city may request an election for the  
5 33 approval of a local income surcharge only for the combined  
5 34 incorporated area in which it lies, notwithstanding section  
5 35 422E.1. The election shall be held on the date of a regular  
6 1 city election, a special election, or the general election.

6 2 The election shall be held on the same date in all cities in  
6 3 the combined incorporated area. Notice of the election shall  
6 4 be provided as specified in section 422E.1, subsection 2.

6 5 3. a. A local income surcharge shall be imposed in a  
6 6 combined incorporated area only if a majority of those voting  
6 7 on the question in the combined incorporated area approves the  
6 8 measure. A local income surcharge shall not be imposed in a  
6 9 city that is part of a combined incorporated area unless the  
6 10 local income surcharge is imposed in all the cities that are  
6 11 part of the combined incorporated area.

6 12 b. If the question of the imposition of the local income  
6 13 surcharge is approved, the imposition and administration shall  
6 14 be in the same manner as provided in sections 422E.2 and  
6 15 422E.3. Payment to the local governments shall be at the time  
6 16 and manner specified in section 422E.4, except that the moneys  
6 17 shall be paid to the county treasurer of the county in which  
6 18 the combined incorporated area is located and the moneys shall  
6 19 be used as provided in subsection 4.

6 20 c. If, on the question of the imposition of a local income  
6 21 surcharge, a majority of those voting in a combined  
6 22 incorporated area does not approve the imposition, then an  
6 23 election on the imposition of a local income surcharge shall  
6 24 not again be held in the combined incorporated area until the  
6 25 second calendar year following the date of the negative vote.

6 26 4. The county treasurer shall allocate the revenues from  
6 27 the local income surcharge to commercial and industrial  
6 28 property tax relief and to residential property tax relief, if  
6 29 any, and shall determine the appropriate tax credit for each  
6 30 affected parcel in the combined incorporated area in the  
6 31 manner specified in section 422E.5, except that the entire  
6 32 combined incorporated area shall be treated as if it were a  
6 33 single city. The treasurer shall then deposit the funds for  
6 34 the commercial and industrial tax credits for the parcels in  
6 35 each city of the combined incorporated area to a commercial  
7 1 and industrial property tax relief fund for that city and

7 2 shall deposit the funds for the residential tax credits for  
7 3 the parcels in each city of the combined incorporated area.  
7 4 Remaining revenues, if any, shall be apportioned to and  
7 5 deposited in the general fund of each city in the proportion  
7 6 that the population of the city is to the total population of  
7 7 the combined incorporated area.

7 8 Sec. 7. NEW SECTION. 422E.7 CITY OR COMBINED  
7 9 INCORPORATED AREA IN MORE THAN ONE COUNTY.

7 10 If a city or a combined incorporated area, as defined in  
7 11 section 422E.6, is located in more than one county, the city  
7 12 requesting a local income surcharge election shall submit the  
7 13 request to the commissioner of elections in each affected  
7 14 county, and the election shall be conducted in accordance with  
7 15 section 47.2, subsection 2. If the question on the imposition  
7 16 of the local income surcharge is approved, the county  
7 17 treasurer in the most populous of the affected counties shall,  
7 18 with the assistance of the county treasurers in the other  
7 19 affected counties, carry out the duties specified in section  
7 20 422E.5 or 422E.6, subsection 4.

7 21 Sec. 8. Section 441.21, subsection 4, Code 2007, is  
7 22 amended by adding the following new unnumbered paragraph:  
7 23 NEW UNNUMBERED PARAGRAPH. For valuations established as of  
7 24 January 1, 2009, and each year thereafter, the percentage of  
7 25 actual value, as equalized by the director of revenue as  
7 26 provided in section 441.49, at which residential property  
7 27 shall be assessed shall not be less than the percentage of  
7 28 actual value determined for residential property for the  
7 29 assessment year beginning January 1, 2007, or beginning  
7 30 January 1, 2008, whichever is lower. If the percentage of  
7 31 actual value of residential property as calculated in  
7 32 accordance with this subsection is less than the percentage of  
7 33 actual value determined for residential property for the  
7 34 assessment year beginning January 1, 2007, or beginning  
7 35 January 1, 2008, whichever is lower, the director of revenue  
8 1 shall increase the percentage to the percentage of actual  
8 2 value determined for residential property for the assessment  
8 3 year beginning January 1, 2007, or beginning January 1, 2008,  
8 4 whichever is lower. For purposes of determining valuations in  
8 5 the assessment year beginning January 1, 2010, and for each  
8 6 subsequent assessment year, the percentage for the prior year  
8 7 as determined under this subsection before adjustment under  
8 8 this paragraph, if necessary, shall be the percentage used in  
8 9 making the calculation of the dividend for that assessment  
8 10 year.

8 11 EXPLANATION

8 12 This bill relates to commercial, industrial, and  
8 13 residential property tax measures by authorizing the  
8 14 imposition by a city of a local income surcharge with a  
8 15 portion of the revenues to be used for property tax credits  
8 16 and by limiting the percentage of actual value at which  
8 17 residential property shall be assessed.

8 18 The bill authorizes a city that is not part of a combined  
8 19 incorporated area to impose a local income surcharge after an  
8 20 election at which the question of such imposition is approved  
8 21 by a majority of those voting on the question. A combined  
8 22 incorporated area is an area that includes all contiguous  
8 23 cities. A combined incorporated area is treated for purposes  
8 24 of the imposition of the local income surcharge as one city.  
8 25 A city that is part of a combined incorporated area cannot  
8 26 impose the local surcharge except as part of the total area.

8 27 The bill provides that the ballot must specify the rate,  
8 28 the duration of the surcharge, and the percentage of the  
8 29 revenues to be used for property tax relief. The bill limits  
8 30 the income surcharge rate to not more than 5 percent and the  
8 31 duration shall not exceed 10 years. Of the income surcharge  
8 32 revenues received by a city, at least 80 percent are to be  
8 33 used for property tax relief with at least 60 percent to be  
8 34 used for tax relief for commercial and industrial property and  
8 35 the balance to be used for tax relief for residential  
9 1 property. The local income surcharge is imposed on the state  
9 2 income tax liability of residents of the city, beginning with  
9 3 the income tax year beginning January 1 following the  
9 4 favorable election.

9 5 The bill provides that revenues for property tax relief are  
9 6 to be deposited into a property tax relief fund for purposes  
9 7 of providing property tax credits, and the remaining revenues,  
9 8 if any, are to be deposited into the city general fund to be  
9 9 used for any lawful purposes of the city.

9 10 From the property tax relief fund, the moneys to be used to  
9 11 provide property tax relief for commercial and industrial  
9 12 property are done so by means of granting a property tax

9 13 credit to each parcel of such property based upon the taxable  
9 14 valuation of that parcel. The moneys to be used to provide  
9 15 property tax relief for all taxable residential property are  
9 16 done so by means of granting a property tax credit to each  
9 17 parcel of such property based upon the taxable valuation of  
9 18 that parcel.  
9 19 The bill provides that beginning with property assessments  
9 20 made January 1, 2009, for taxes payable in FY 2010=2011, the  
9 21 percentage of actual value at which residential property may  
9 22 be assessed shall not be reduced below the percentage of  
9 23 actual value established for residential property for the  
9 24 assessment year beginning January 1, 2007, or beginning  
9 25 January 1, 2008, whichever is lower.  
9 26 LSB 5641XC 82  
9 27 mg/sc/5